

Exhibit No. 1

Date 3-3-09

Bill No. _____

Federal Economic Stimulus Bill

Legislative Decision Points

Purpose of This Presentation

- Provide a high-flying overview of expenditure side of stimulus
- Show the committee where the primary legislative discretion lies
- Set the stage for the ideas presented

Coming up in Stimulus World

- Bill (currently LC 2314) will be introduced next week
- LFD staff will:
 - Prepare a factual narrative based upon bill content
 - Continue to update the stimulus worksheets
- Subcommittees will hold joint hearings (2 days)
- Bill will then follow normal course (HAC/House/SF&C/Senate/FCC)
 - Goal is to have LC 2314 follow HB 2 and have both ready for FCC at the same time
 - Schedule will be posted

Goals of the Stimulus Stated in HR 1

- Preserve and create jobs and promote economic recovery
- Assist those most impacted by the recession
- Provide investments needed to increase economic efficiency by spurring technological advances in science and health
- Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits
- Stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases

Structural Balance and the Stimulus

- How does goal #5 align with structural balance?

Selected General Provisions

- Within 45 days of enactment (Feb 17)
Governor must certify state's intention to request and use funds (legislature can certify if Governor does not)
- For infrastructure, preference to projects that can be started/completed expeditiously
 - 50% by no later than 120 days after Feb 17
- Unless otherwise noted funds are generally available until Sept 30, 2010

How the Federal Government Characterizes the Total

- Total - \$787 billion
 - Tax relief - \$288b
 - State and local fiscal relief - \$144b
 - Infrastructure and science - \$111b
 - Protecting the vulnerable - \$81b
 - Health care - \$59b
 - Education and training - \$53b
 - Energy - \$43b
 - Other - \$8b

Source: Recovery.gov

What We Know and Don't Know

- One-time only – time-bound availability
 - Funding is generally until mid-FY 2011
- It's a big, complex bill (over 400 pages)
- There are over 200 individual components
- There are significant transparency and reporting requirements
 - Governors have significant certification requirements
- We still don't have anything approaching a full understanding of when some of the regulations and other work necessary to get the funds out will be completed
 - Will differ by agency and type of funding
 - Some under current funding formula
 - Others require regulatory changes, pre-conditions to specify
 - On a fast track

How Much?

- Portion will flow through state
 - Various Purposes - \$625 million
 - Includes \$121 million for that portion of the fiscal stabilization funds targeted for education
 - Changes in FMAP that free up state funds - \$165 - \$170 million
 - Reversal of child support enforcement provision - about \$4 million
 - Additional unemployment insurance benefits - About \$200 million
 - General fiscal stabilization - about \$25 million
- Some will go more directly to individuals and groups
 - May influence legislative decisions, i.e. additional student aid
 - Others may wish to closely examine legislation and consult federal agency websites/trade organizations
- Other moneys state agencies may apply for

Categorizing the Funds

- Many ways to Categorize this information
 - Format of today's discussion
- General Categorization
 - Specific Purpose ("Prescriptive")
 - Discretionary
 - Portion of state stabilization funds
 - State resources freed-up due to provision of stimulus funds

Specific Purpose (Prescriptive)

- Stimulus bill has a clear purpose and has limited options for how it is used
- Most of the funds
- Examples
 - Highway funding – about \$212 million
 - In Montana, the Highway Commission makes use determination
 - Additional food stamps (now called SNAP) benefits and eligibility – estimated \$50 - \$57 million
 - Weatherization – about \$27 million
 - Title I (disadvantaged) education funding – about \$44 million
 - Additional unemployment benefits – about \$210 million
 - Education-targeted fiscal stabilization funds – about \$121 million
- Doesn't mean the legislature doesn't have decision points
 - Some funds might temporarily replace state funds/relieve pressure to spend state funds for a similar purpose
 - Legislature could establish priorities for use and/or specify particular recipients within the requirements
 - E.g. within federal allowances, how will additional Title 1 and IDEA funds be used?
 - What are state priorities for the state energy grants?
 - What will be accomplished with the additional block grants (CSBG and CDBG)?

Discretionary

- Freed-up State Resources
 - FMAP increase - \$165 to \$170 million
 - Actual restrictions on this money are not entirely clear
 - Child support enforcement – About \$4 million
- Discretionary fiscal stabilization
 - About \$25 million
- Total about \$200 million

Summary of Major Legislative Decision Points

- Totally discretionary – About \$200 million plus
 - Freed-up general fund due to FMAP and child support enforcement
 - \$170 - \$175 million – any use
 - Still some question over whether some of it can carry over into next biennium
 - General fiscal stabilization
 - About \$25 million
 - Identified federal stimulus that can temporarily replace state funding
 - Unknown total amount – will be highlighted by staff
- Legislative priority setting for some prescriptive funds

Major MOE/Nonsupplantation Requirements

- Stabilization Funds
 - Governor applies with:
 - Certain assurances
 - Provision of baseline data
 - Description of how the funds will be used
 - Maintain expenditures for elementary, secondary, and higher education at the FY 2006 level
- Other Education Funds (Title 1, IDEA, etc)
 - Underlying MOE of each grant applies
- FMAP
 - No rainy day or direct or indirect reserves
 - Cannot reduce eligibility that in effect on July 1, 2008
- Unemployment Insurance
 - A portion (about \$20 million) requires additional eligibility
- Highways
 - Must maintain amount of state funding state planned to spend from 2/17/2009 to 9/30/2010

Transparency and Accountability Provisions

- Major Certification by Governor
 - All projects have been properly vetted
 - Include description, cost, amount used, posted on website
- Major Reporting Requirements
 - Report within 90 days
 - Amount received/expended/obligated
 - Detailed list of all projects (required elements)
- Specific Funds Require Other Certification and Reporting as Specified
- Panels and Boards Established
 - Review, hold hearings, conduct audits, etc.
 - General mission to prevent fraud, waste, and abuse